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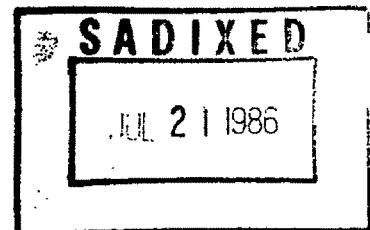
**SECRET/SENSITIVE**

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VISIT OF PRIME MINISTER JUNEJO OF PAKISTAN

JULY 15 - 21, 1986

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BRIEFING MEMORANDUM  
S/S

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TO : The Secretary  
THRU : P - Michael H. Armacost  
FROM : NEA - Richard W. Murphy  
SUBJECT: Scope Paper: Official Visit of Pakistan Prime Minister Mohammed Khan Junejo -- 15-22 July 1986

I. WHERE DOES OUR RELATIONSHIP STAND?

- o U.S.-Pakistan relations on a firm foundation of mutual interest; general approach on most issues is similar.
- o Keystone of relationship is multi-year assistance programs signed in 1981 and 1986 of \$3.2 and \$4.02 billion, respectively.
  - Aid promotes limited military modernization, economic development, and Pak confidence in ability to stand up to Soviet pressures, while contributing positively, we believe, to our non-proliferation goals.
- o Nuclear proliferation issue nonetheless remains serious threat to the relationship; we have concerns also on narcotics, economic policy reform, and GOP hesitancy to approve more public aspects of our Afghanistan strategy.
- o Prime Minister on first US visit, heads new civilian government with whom new aid package was negotiated, but is still new to issues in US-Pakistan relationship.
  - Junejo is committed to strong stand on Afghanistan, in negotiations and through support for mujahidin, but he is politically sensitive to mounting public anxiety at home regarding the refugees and Soviet pressures.
  - Specifically, Junejo has hesitated to implement Afghan humanitarian assistance program and to work toward higher profile for the Afghan resistance abroad.

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UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: CHARLES L DARIS  
DATE/CASE ID: 16 MAY 2011 200806822

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## II. WHAT DO WE WANT?

- o Demonstrate our support for the lifting of martial law, the peaceful transition to constitutional government, and the strengthening of democratic process and institutions.
  - US consistently urged restoration of democracy.
  - Reality of change under Junejo obscured by media preoccupation with return of opponent Benazir Bhutto.
- o Reaffirm long-term US commitment to Pakistan's security in the face of continuing Soviet threats.
  - Underscore importance of US-Pak military cooperation in tangibly demonstrating that US commitment to Moscow.
- o Conduct all aspects of visit so as to ensure that Junejo, as civilian leader, feels he has political stake in the future of the US-Pak relationship, while preserving our important links with President Zia.
  - Establish personal relationship with Junejo, educate him on US political process, and expose him first-hand to the issues in US-Pak relations.
  - Encourage Junejo to defend Pakistan assistance program with the media and on the Hill; where Gramm-Rudman cuts will increase pressures on all programs.
- o Gain Junejo's support for the genuine restraint in Pakistan's nuclear program needed to keep assistance relationship on track.
  - Follow-on aid program will require Congressional waiver of provisions of Symington amendment, just as was required to launch current program in 1981.
  - US law requires annual Presidential certification that Pakistan does not possess nuclear device and that our aid program significantly reduces risk of this.
  - Pak activities in this area make annual certification -- and even Congressional waiver -- very problematic.
- o Review Afghan negotiations and overall Afghanistan strategy; convince Junejo he has vested interest in keeping our policies in step.

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- Ensure that Junejo understands US requirements for supporting any agreement which emerges from UN talks.
- Persuade Junejo of importance of implementing Afghan humanitarian aid and media projects and improving political effectiveness of resistance alliance.
- o Review our concerns over narcotics control, with particular focus on more effective enforcement in the Northwest Frontier Province (NWFP) this fall.
- o Remind Junejo of need for economic policy reform and note linkage between aid and GOP reform performance.

## III. WHAT DO THEY WANT?

- o Consolidate ongoing US-Pakistan relationship while establishing personal relationship with the President.
  - Prime Minister told Ambassador Hinton he has no new bilateral issues to raise.
- o Seek reassurance of US commitment to Pakistan's security while preserving Pakistan's formal non-aligned status.
  - Will likely mention need for help with air defense/aerial surveillance needs in light of escalating DRA/Soviet air attacks.
- o Highlight the importance of constitutional changes in Pakistan and use visit to build Junejo's political stature as civilian head of elected government.
  - Junejo relatively unknown outside of Pakistan; seeks recognition for his role in restoring democracy.
- o Ensure US side appreciates Pakistan's views on key issues of interest to USG -- Afghanistan, India, nuclear, narcotics, assistance, democratization;
- o Foster US awareness that restoration of democracy will impose political constraints on Pakistan's ability to support proposals which raise Pak profile on Afghanistan.
- o Assess degree to which improvement in US relations with India might weaken US support for Pakistan.

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- o Press Pakistan's case on the Hill for understanding and for support of economic and security assistance.

--Paks understand severe US budget constraints but hope we will be able to deliver full funding for current and follow-on assistance packages.

## IV. WHAT CAN WE ACHIEVE?

- o Ensure continuation of Pakistan's close collaboration on Afghanistan, re the mujahidin and in the negotiations, while affirming our respect for Pakistan's non-alignment.
- o Gain Junejo's support for key elements of our Afghanistan strategy (greater alliance visibility, humanitarian assistance, and media project) on which he is hesitant.
- o Enhance Pakistan's confidence in our commitment to their security and our intention to press for full funding of current and follow-on assistance packages, despite budgetary stringency.
  - Reassure Junejo that our improving relationship with India is aimed at long-term reduction of Indo-Soviet ties and will not be at the cost of our long-standing commitments to Pakistan.
  - Give Junejo better appreciation of US strategic needs in the region and the importance of Pakistan's role.
- o Encourage Junejo to use Hill and media contacts to strengthen support for our current and follow-on Pakistan aid packages with the Congress and with the public.
  - Make sure he understands that Pakistan's restoration of democracy, support of Afghan freedom, search for enduring peace with India, and credible assurance of his commitment to nuclear non-proliferation are his best selling points.
- o Ensure that, as a newcomer to GOP nuclear policy-making, Junejo understands absolute criticality of actions, not pious words, to address serious concerns we have about content and direction of Pakistan's nuclear program and thus assure continuation of our assistance relationship.

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- o Obtain Junejo's commitment to economic policy reform, especially in connection with linkage to follow on aid.
- o Secure greater GOP cooperation in effective program to combat growing narcotics production and trafficking.

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Issue Agenda/Schedule for Junejo Visit

Meeting on Arrival: Tuesday, July 15, 5:45 PM, Washington Monument Grounds, Reflecting Pool (via helicopter to Andrews Air Force Base, to meet Prime Minister upon arrival at Andrews at 6:00 PM)

-- Pleasure at having the Prime Minister here as our guest for his first trip to the US.

-- Gratification at visit to US by elected head of constitutional government in Pakistan.

Meeting with the President: July 16, 10:30 AM, at White House

-- Reaffirmation of US commitment to Pakistani security, satisfaction with close US-Pakistan relations.

-- Appreciation for Pakistan's transition to democracy.

-- Need for continued close cooperation on Afghanistan, including negotiations.

-- Critical importance of nuclear restraint (small group).

Your Lunch in Honor of Prime Minister Junejo: Benjamin Franklin Room, Department of State, July 16, 12:30

-- Pleasure at friendly, open discussions with President.

-- Discuss our two governments' respective dealings with Soviets, including assessment of prospects for Afghanistan.

-- Draw out Junejo on domestic situation, especially Bhutto challenge.

State Dinner at White House, July 16, 7:30 PM

-- Discuss PM's earlier meeting with SFRC, and role of Congress in US foreign policy.

-- Ask for Junejo's assessment of significance of Soviet-sponsored bombings/subversion in frontier province.

Your Call on Prime Minister: Madison Hotel, July 17, 2:45 PM

-- Reiterate US support for Pakistan in view of Soviet threats, referring to recent exchanges of Zia-Reagan letters.

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- Underscore President's points on significance of nuclear restraint.
- Elicit Junejo's support for cross-border aid and Afghan media assistance programs.
- Raise narcotics control concerns.
- Underscore importance of economic reform measures.
- Express pleasure at Prime Minister's willingness to consider Peace Corps program geared to teaching of English.

Departure Ceremony: Washington Monument Grounds, Reflecting Pool, July 18, 6:10 PM

- Note progress made in deepening mutual understanding and strengthening already strong US-Pakistan friendship.
- Wish Junejo well on visit to Florida over weekend, and then New York.

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THE OFFICIAL VISIT  
OF  
HIS EXCELLENCY  
MOHAMMAD KHAN JUNEJO  
PRIME MINISTER  
OF  
THE ISLAMIC REPUBLIC OF PAKISTAN  
TO  
THE UNITED STATES

JULY 1986

SUMMARY SCHEDULE

As of 7/8/86

TUESDAY  
JULY 15, 1986

6:00 pm His Excellency Mohammad Khan Junejo, Prime Minister of the Islamic Republic of Pakistan, arrives Washington, D.C.-Andrews Air Force Base via Pakistan International Airlines Aircraft from Pakistan.

Welcoming Committee.

6:10 pm Depart Andrews Air Force Base via U.S. Presidential Helicopters enroute the Washington Monument Grounds, Reflecting Pool.

6:20 pm Arrive the Washington Monument Grounds, Reflecting Pool.

6:25 pm Depart the Washington Monument Grounds, Reflecting Pool, via motorcade enroute the Madison Hotel, 15th and M Streets, N.W.

6:30 pm Arrive the Madison Hotel.

8:30 pm Private dinner at the Ambassador's Residence, 2343 S Street, N.W.

Overnight: Madison Hotel

Summary Schedule -11-

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SUMMARY SCHEDULE

WEDNESDAY  
JULY 16, 1986

10:00 am White House Arrival Ceremony.

10:30 am Meeting with The Honorable Ronald Reagan, President of the United States of America, in the Oval Office of the White House.

12:30 pm- 2:15 pm Luncheon hosted by The Honorable The Secretary of State and Mrs. Shultz in honor of His Excellency Mohammad Khan Junejo, Prime Minister of the Islamic Republic of Pakistan, in the Benjamin Franklin Room of the Department of State.

2:30 pm Wreath Laying Ceremony at Arlington National Cemetery.

3:30 pm- 4:30 pm Coffee hosted by The Honorable Richard Lugar, Chairman of the Senate Foreign Relations Committee, in honor of His Excellency Mohammad Khan Junejo, Prime Minister of the Islamic Republic of Pakistan, in Room S-116 of the U.S. Capitol.

4:45 pm- 5:15 pm Meeting with Vice Admiral John Poindexter, Assistant to the President for National Security Affairs, in the Presidential Suite of the Madison Hotel.

(Tentative)

5:15 pm- 5:45 pm Meeting with The Honorable Edwin Meese, Attorney General of the United States, in the Presidential Suite of the Madison Hotel.

5:45 pm- 6:15 pm Meeting with The Honorable Malcolm Baldrige, Secretary of Commerce, in the Presidential Suite of the Madison Hotel.

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SUMMARY SCHEDULE

WEDNESDAY  
JULY 16, 1986

7:30 pm State Dinner hosted by  
The Honorable The President of  
the United States of America and  
Mrs. Reagan in honor of  
His Excellency Mohammad Khan  
Junejo, Prime Minister of the  
Islamic Republic of Pakistan, at  
the White House.

Dress: Black Tie

Overnight: Madison Hotel

THURSDAY  
JULY 17, 1986

6:50 am Interview with \_\_\_\_\_ of the  
Today Show at the NBC Studios,  
4100 Nebraska Avenue, N.W.

8:15 am- Breakfast with the Editorial  
9:15 am Board of THE WASHINGTON POST at  
the Washington Post Building,  
1150 15th Street, N.W.

10:00 am- Meeting with The Honorable  
10:45 pm George P. Shultz, Secretary of  
State, in the Presidential Suite  
of the Madison Hotel.

11:15 am- Meeting with The Honorable  
11:45 am George Bush, Vice President of  
the United States of America, at  
the White House.

12:00 pm Meeting with The Honorable  
Caspar Weinberger, Secretary of  
Defense, in the Secretary's  
office at the Pentagon.

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SUMMARY SCHEDULE

THURSDAY  
JULY 17, 1986

12:30 pm- Luncheon hosted by The Honorable  
1:45 pm Caspar Weinberger, Secretary of  
Defense, in honor of His Excellency  
Mohammad Khan Junejo, Prime Minister  
of the Islamic Republic of Pakistan,  
at the Pentagon.

2:00 pm Coffee hosted by Members of the  
House Foreign Affairs Committee in  
honor of His Excellency Mohammad  
Khan Junejo, Prime Minister of the  
Islamic Republic of Pakistan, in  
Room 2172 of the Rayburn House  
Office Building.

5:00 pm- Meetings with selected media  
5:45 pm representatives in the Mount Vernon  
Room of the Madison Hotel.

8:15 pm Dinner hosted by His Excellency  
Mohammad Khan Junejo, Prime Minister  
of the Islamic Republic of  
Pakistan, in honor of The Honorable  
George Bush, Vice President of the  
United States of America, in the  
Dolly Madison Room of the Madison  
Hotel.

Dress: \_\_\_\_\_

Overnight: Madison Hotel

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FRIDAY  
JULY 18, 1986

8:00 am Breakfast meeting with \_\_\_\_\_, Chamber of Commerce of the United States of America, at the Chamber of Commerce of the United States of America, 1615 H Street, N.W.

10:00 am- Meeting with The Honorable  
10:30 am Barber Conable, President, World Bank, in the Presidential Suite of the Madison Hotel.

10:30 am- Meeting with The Honorable  
11:00 am James A. Baker III, Secretary of the Treasury, in the Presidential Suite of the Madison Hotel.

11:00 am- Meeting with The Honorable  
11:30 am Richard Lyng, Secretary of Agriculture, in the Presidential Suite of the Madison Hotel.

12:00 pm- Meeting with Mr. Arnaud de  
12:30 pm Borchgrave, \_\_\_\_\_, THE WASHINGTON TIMES, in the Presidential Suite of the Madison Hotel.

Private luncheon.

2:00 pm- Friday prayers at the Embassy  
2:30 pm Chancery, 2315 Massachusetts Avenue, N.W.

3:30 pm- Interview on Cable Television with  
4:00 pm Evans and Novak, at the Cable News Network Studios, 111 Massachusetts Avenue, N.W.

5:00 pm Meeting with the Pakistani Community of Washington, D.C. in the \_\_\_\_\_ Room of the Omni Shoreham Hotel, 2500 Calvert Street, N.W.

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FRIDAY  
JULY 18, 1986

6:30 pm Prime Minister Junejo departs the Madison Hotel via motorcade enroute Washington Monument Grounds, Reflecting Pool.

6:40 pm Arrive Washington Monument Grounds, Reflecting Pool.

Farewell Committee.

6:45 pm Depart the Washington Monument Grounds, Reflecting Pool, via U.S. Presidential Helicopters enroute Andrews Air Force Base.

6:55 pm Arrive Andrews Air Force Base.

7:00 pm Prime Minister Junejo departs Washington D.C.-Andrews Air Force Base via U.S. Presidential (VC-9) Aircraft enroute Orlando, Florida-Orlando International Airport.

8:55 pm Arrive Orlando-Orlando International Airport.

Welcoming Committee.

9:05 pm Depart Orlando International Airport via motorcade enroute the Hyatt Regency - Cypress Hotel, One Grand Cypress Boulevard, Orlando.

9:30 pm Arrive the Hyatt Regency - Grand Cypress Hotel.

Overnight: Hyatt Regency  
Grand Cypress Hotel

Summary Schedule -16-

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SUMMARY SCHEDULE

SATURDAY  
JULY 19, 1986

9:00 am Briefing on agriculture in Florida in the \_\_\_\_\_ Room of the Hyatt Regency - Grand Cypress Hotel.

10:00 am Tour of Tilden Farms Citrus Grove, \_\_\_\_\_.

10:45 am Tour of Hermann Engelmann Greenhouses, \_\_\_\_\_.

11:45 am Tour of Muck Farms, \_\_\_\_\_.

12:30 pm Lunch at Erroll Country Club.

2:30 pm Meeting with General Krist, \_\_\_\_\_, in the \_\_\_\_\_ Room of the Hyatt Regency - Grand Cypress Hotel.

5:10 pm Tour of Land and Sea Pavillions at Epcot Center.

8:00 pm Dinner hosted by \_\_\_\_\_ in honor of His Excellency Mohammad Khan Junejo, Prime Minister of the Islamic Republic of Pakistan, in the \_\_\_\_\_ Room of the Epcot Center.

10:00 pm Sound and Light Show at Epcot Center.

Overnight: Hyatt Regency  
Grand Cypress Hotel

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SUMMARY SCHEDULE

SUNDAY  
JULY 20, 1986

12:10 pm Depart the Hyatt Regency - Grand Cypress Hotel via motorcade enroute Orlando International Airport.

12:35 pm Arrive Orlando International Airport.  
Farewell Committee.

12:45 pm Prime Minister Junejo departs Orlando-Orlando International Airport via U.S. Presidential Aircraft enroute New York, New York-LaGuardia Airport.

3:00 pm Arrive New York-LaGuardia Airport, Marine Air Terminal.  
Welcoming Committee.

3:10 pm Depart LaGuardia Airport via motorcade enroute the Waldorf Astoria Hotel, 301 Park Avenue.

3:35 pm Arrive the Waldorf Astoria Hotel.

5:00 pm Meeting with Members of the Permanent Mission of Pakistan to the United Nations at the Permanent Mission of Pakistan to the United Nations, 12 East 65th Street.

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SUMMARY SCHEDULE

SUNDAY  
JULY 20, 1986

5:00 pm TV interview with Third World  
Broadcasting Network at the  
Permanent Mission.

6:00 pm- Meeting with the Pakistani  
7:00 pm Community in New York at the  
Permanent Mission.

7:30 pm Meeting with Pakistani Physicians  
at the Permanent Mission.

8:30 pm Dinner hosted by His Excellency  
S. Shah Nawaz, Permanent  
Representative of Pakistan to the  
United Nations, in honor of the  
His Excellency Mohammad Khan  
Junejo, Prime Minister of the  
Islamic Republic of Pakistan, at  
the Ambassador's residence, 16  
East 89th Street.

Overnight: Waldorf Astoria  
Hotel

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MONDAY  
JULY 21, 1986

8:30 am Breakfast with the Editorial Board of THE WALL STREET JOURNAL in the \_\_\_\_\_ Room of the Waldorf Astoria Hotel.

10:30 am Meeting with His Excellency Dr. Javier Perez de Cuellar, Secretary General of the United Nations, in the office of the Secretary General at the United Nations.

12:00 pm Luncheon hosted by the Foreign Policy Association in honor of His Excellency Mohammad Khan Junejo, Prime Minister of the Islamic Republic of Pakistan, in the Louis XVI Room of the Waldorf Astoria Hotel.

4:30 pm Meeting with The Honorable Henry Kissinger in the Presidential Suite of the Waldorf Astoria Hotel.

6:00 pm Reception hosted by His Excellency Dr. Javier Perez de Cuellar, Secretary General of the United Nations, in honor of His Excellency Mohammad Khan Junejo, Prime Minister of the Islamic Republic of Pakistan, in the \_\_\_\_\_ Room of the United Nations.

8:00 pm- Dinner hosted by the U.S.-  
9:00 pm Pakistan Economic Council in honor of His Excellency Mohammad Khan Junejo, Prime Minister of the Islamic Republic of Pakistan, in the \_\_\_\_\_ Room of the Waldorf Astoria Hotel.

Overnight: Waldorf Astoria Hotel

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SUMMARY SCHEDULE

TUESDAY  
JULY 22, 1986

(Tentative)

8:00 am Breakfast with the Editors of  
TIME MAGAZINE in the \_\_\_\_\_  
Room of the Waldorf Astoria Hotel.

10:30 am Meeting with The Honorable  
Richard M. Nixon in the \_\_\_\_\_  
Room of \_\_\_\_\_.

1:00 pm Luncheon hosted by the Editorial  
Board of THE NEW YORK TIMES, in  
the \_\_\_\_\_ Room of \_\_\_\_\_.

7:15 pm Depart the Waldorf Astoria Hotel  
via motorcade enroute John F.  
Kennedy International Airport.

7:45 pm Arrive John F. Kennedy  
International Airport.

Farewell Committee.

8:00 pm His Excellency Mohammad Khan  
Junejo, Prime Minister of the  
Islamic Republic of Pakistan,  
departs New York-John F. Kennedy  
International Airport and the  
United States via Pakistan  
Airline Aircraft enroute Pakistan.

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MEMBERS OF THE OFFICIAL PAKISTANI DELEGATION

His Excellency

Mohammad Khan Junejo

Prime Minister of the Islamic Republic  
of Pakistan

Miss F. Junejo

Miss S. Junejo

Mr. Mohammad Asad Ali Khan Junejo

His Excellency

Sahabzada Yaqub-Khan

Minister for Foreign Affairs

Mrs. Tuba Yaqub-Khan

His Excellency

Mian Mohammad Yasin Khan Wattoo

Minister for Finance and Economic  
Affairs

The Honorable

Mian Mohammad Nawaz Sharif

Chief Minister of Punjab

The Honorable

Arbab Mohammad Jahangir Khan

Chief Minister of Northwest  
Frontier Province

Delegation -2-

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MEMBERS OF THE OFFICIAL PAKISTANI DELEGATION  
(continued)

His Excellency  
Ejaz Azim  
Ambassador of the Islamic Republic of  
Pakistan to the United States

Mrs. Shahida Azim

Air Chief Marshal  
Jamal Ahmad Khan  
Chief of Air Staff, PAF

Mr. A.G.N. Kazi  
Deputy Chairman  
Planning Commission

Mr. Abdul Sattar  
Foreign Secretary

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THE SECRETARY OF STATE  
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MEMORANDUM FOR: The President  
FROM: George P. Shultz  
SUBJECT: Your Meeting with Pakistan Prime Minister Mohammad Khan Junejo (July 16, 10:30)

1. WHERE DOES OUR RELATIONSHIP STAND?

- US-Pakistan relations on firm foundation of mutual interest; general approach on most issues is similar.
- Keystone of relationship is multi-year assistance programs signed in 1981 and 1986 of \$3.2 and \$4.02 billion respectively.
- Nuclear proliferation issue nonetheless remains serious threat to relationship; we have concerns also on narcotics, economic policy reform, and GOP hesitancy to approve more public aspects of our Afghanistan strategy.
- Prime Minister on first US visit, heads new civilian government with whom new aid package was negotiated, but is still new to issues in US-Pakistan relationship.

2. WHAT DO WE WANT?

- Demonstrate support for peaceful transition to constitutional government and strengthening of democratic process and institutions, which we had urged.
- Reaffirm long-term US commitment to Pakistan's security in face of continuing Soviet threats.
- Conduct visit so as to ensure that Junejo, as civilian leader, feels he has political stake in the future of US-Pak relationship, while preserving our important links with President Zia.
- Gain Junejo's support for genuine restraint in Pakistan's nuclear program, needed to keep assistance relationship on track.

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-- Review Afghan negotiations and overall Afghanistan strategy; convince Junejo he has vested interest in keeping our policies in step.

-- Review our concerns over need for effective program of narcotics control.

3. WHAT DOES JUNEJO WANT?

-- Consolidate ongoing US-Pakistan relationship while establishing a personal relationship with you.

-- Seek reassurance on US commitment to Pakistan's security, while preserving Pakistan's formal non-aligned status.

-- Highlight importance of constitutional changes in Pakistan and use visit to build Junejo's political stature as civilian head of elected government.

-- Foster U.S. awareness that restoration of democracy will impose political constraints on Pakistan's ability to support proposals which raise Pak profile on Afghanistan.

-- Press Pakistan's case on the Hill for understanding and for support of economic and security assistance.

4. WHAT CAN WE ACHIEVE FROM THIS VISIT?

-- Ensure continuation of Pakistan's close collaboration on Afghanistan, re the mujahidin and in the negotiations; lay down marker on vital importance of a short timetable for Soviet withdrawal.

-- Gain Junejo's support for key elements of our Afghanistan strategy (greater alliance visibility, humanitarian assistance, and media aid program) on which he is hesitant.

-- Enhance Pakistan's confidence in our commitment to their security and our intention to press for full funding of current and follow-on assistance packages, despite budgetary stringency.

-- Encourage Junejo to use Hill and media contacts to strengthen support for current and follow-on Pakistan aid packages with the Congress and the public.

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--Reassure Junejo that our improving relationship with India is aimed at reducing Indo-Soviet ties and will not be at the cost of our long-standing commitments to Pakistan.

-- Ensure that Junejo understands critical need for positive steps to meet serious USG concern about Pakistan's nuclear program, assure continuation of US assistance.

-- Obtain Junejo's commitment to effective cooperation to combat growing narcotics production and trafficking.

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United States Department of State

Washington, D. C. 20520

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BRIEFING MEMORANDUM  
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SECRET

TO : The Secretary  
THRU : P - Mr. Armacost  
FROM : NEA - Richard W. Murphy *W*  
SUBJECT : Briefing the President for his meeting with  
Pakistan Prime Minister Mohammad Khan Junejo,  
Wednesday, July 16, 10:30 a.m.

I. SETTING

- o Junejo sees the President during the first full day of his visit; will also meet separately with Weinberger, Baldridge, Baker, Lyng, and you. Outside Washington, he will visit Orlando on the weekend, and thereafter in New York will see UNSYG, former President Nixon, Kissinger, and commercial, foreign policy, and media groups, before departing for Pakistan on the 22nd.
- o Junejo arrives with no shopping list, has no new issues to raise. Sees visit as opportunity to garner recognition for his role in guiding peaceful transition to elected, constitutional government in Pakistan; visits Turkey and FRG enroute US.
- o Our goals:
  - Build on our negotiation of a new multi-year aid agreement with Junejo to solidify our ties with Pakistan's new civilian leadership;
  - Bolster Pakistan's confidence in the face of Soviet pressure from Afghanistan by reaffirming our commitment to its security;
  - Gain Junejo's support for more public aspects of our Afghanistan strategy, e.g. humanitarian aid, the Afghan media assistance project, bigger international role for alliance;

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- Urge on him importance of Pak nuclear restraint;
- Encourage continued democratization; and,
- Promote progress in effective narcotics control.

## II. PAKISTAN POLITICAL SITUATION AND U.S. INTERESTS

- o Key: While Zia retains considerable power, Junejo enjoys his confidence and exercises day-to-day management of GOP on issues of key concern to us. Junejo has little foreign affairs experience and is deeply involved in and strongly influenced by the historic political transition which he is attempting to manage at home; this is his first visit to U.S.
- o Junejo's position:
  - Seeks to reaffirm solid US-Pakistan ties but with US understanding of Pakistan's non-alignment and that domestic political changes taking place impose constraints on his actions;
  - Seeks US recognition of his role in lifting martial law and restoring elected, constitutional government in Pakistan;
  - Will press for full funding of current and future US assistance commitments, GRH budget squeeze notwithstanding.
- o President's position:
  - Reaffirm long-term commitment to Pakistan;
  - Applaud restoration of constitutional government and Junejo's role in peaceful transition;
  - Stress severe budget constraints, note our commitment to seek full funding for Pakistan programs, and encourage him to lobby on the Hill to help us overcome difficulties caused by Pak nuclear program.

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### III. AFGHANISTAN

- o Junejo government is committed to staying the course on Afghanistan, but growing Pak public unease about Afghan sabotage bombings, coupled with anxiety about Soviet pressures, has induced hesitancy in implementing key parts of our Afghanistan strategy with high public profile.
- o Junejo's position:
  - GOP in step with US on overall Afghan strategy;
  - Paks will not sell out Afghan cause at bargaining table, but do not see meaningful role for resistance leaders in current UN talks format;
  - GOP prepared in principle to step up pressure on Soviets but reluctant now to promote heightened profile of fragile Afghan resistance alliance or to risk jeopardizing possible progress at UN talks;
  - GOP is willing to work out mechanism to implement cross-border assistance, but wants activities to be kept low profile.
- o President's position:
  - Stress our admiration for Pakistan's firm and principled stand on Afghanistan; we want to stay in lock step on overall Afghan strategy;
  - Press importance of keeping resistance leaders fully informed on details of the UN talks;
  - Urge Paks to move forward with humanitarian aid and Afghan media assistance project as key elements of strategy for sustaining the resistance and increasing pressures on Soviets to withdraw;
  - For similar reasons, we seek Pakistani cooperation in increasing the international profile of the resistance alliance.

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## IV. PAKISTAN NUCLEAR PROGRAM

- o Key: Pak nuclear program continues, and the ability of the President to certify annually that Pakistan does not possess a nuclear device and that our aid reduces significantly the risk that they will grow increasingly problematic; so also the new waiver which will be needed for a follow-on program.
  - We have recently expressed anew our concerns on enrichment to Zia and to Yaqub, but Junejo -- new to the nuclear issue but a key player in future -- may not fully appreciate the serious implications for US-Pak relations of Pak program.
- o Junejo's position:
  - Will repeat Zia assurances; Pak program strictly peaceful in content and intent;
  - Will assert that GOP expects adversaries to doubt Pak word, but not a close friend like the US;
  - Pakistan ready to sign on dotted line on a variety of non-proliferation measures -- already advanced publicly -- as soon as India does so;
  - Paks expect agreement this fall on mutual Indo-Pak pledge not to attack nuclear facilities;
- o President's position:
  - Remind Junejo of assurances Zia gave him in 1982 and 1984 about Pak restraint in nuclear program;
  - Ensure Junejo understands absolute criticality of such restraint and of actions, not words, to address serious US concerns re Pak nuclear program;
  - US does not question Pak right to develop nuclear energy for peaceful purposes;
  - We recognize Pak domestic political sensitivities and wish to avoid public confrontation or challenge to Pak sovereignty;

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- But if quiet Pak actions to restrain program are not forthcoming, our entire relationship and the basis for our aid could be undermined;
- We recognize nuclear issue is also regional in nature; thrust of Pak nuclear program threatens heightened tensions or even conflict with India. In this connection, we welcome Pak initiatives and prospect of Indo-Pak agreement not to attack each other's nuclear facilities. However, Pak compliance with undertakings to us is a bilateral issue standing on its own;
- We must have positive Pak actions to help convince the Congress to grant another waiver of Symington amendment, the sine qua non for a follow-on program.

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United States Department of State

Washington, D. C. 20520

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BRIEFING MEMORANDUM  
S/S

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TO: The Secretary

THROUGH: P - Mr. Armacost

FROM: NEA - Richard W. Murphy

SUBJECT: Your July 16 Lunch at the Department and your July 17 meeting with Pakistan Prime Minister Mohammad Khan Junejo (Presidential Suite, Madison Hotel, 10:00 to 11:00 a.m.)

I. PRIME MINISTER JUNEJO

- o Domestic politician, new to foreign affairs. Need to use this first US visit to expand Junejo's political stake in US-Pakistan relationship, educate him on key US-Pak issues.
- o Point to Make
  - Hope visit opens new areas for US-Pakistan cooperation -- possible Peace Corps program for teachers of English, new extradition treaty, technology transfer memorandum of understanding, strengthened military cooperation.

II. US-PAKISTAN RELATIONS

- o Relations solid; on parallel course re most major issues.
- o Our multi-year assistance programs (agreed in 1981 and 1986 for \$3.2 and \$4.02 billion, respectively) reflect shared interests and the firmness of the US commitment, which together are the keystone of relationship.
  - We cooperate to deny Soviets further inroads in South and Southwest Asia and to reduce Soviet role in India.
  - We both support improved Indo-Pak relations and increased regional cooperation in South Asia.

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o Points to make:

-- US firmly committed to Pakistan's security in face of continuing Communist threats, attacks, terrorism.

-- We support GOP's efforts to improve ties with India, including nuclear dialogue, but we worry about allegations of Pak meddling in Punjab.

-- We recommend accelerating pace of economic policy reforms (e.g., greater mobilization of domestic resources, encourage private sector, eliminate subsidies).

o III. NUCLEAR

- o Implementing follow-on aid program requires multi-year waiver of Symington Amendment; President must also certify annually that Paks do not have a nuclear device, that our assistance program "reduces significantly" risk they will.
- o Pakistan, however, continues pursuit of unsafeguarded uranium enrichment and other activities relevant to acquisition of a nuclear explosives capability.

o Points to make:

-- As the President said, US ability to continue aid to Pakistan depends absolutely on Pak nuclear restraint.

-- Specifically, Pakistan must comply with assurances it has given on uranium enrichment, other sensitive nuclear activities; otherwise, chance of getting Congress to okay new US aid program will be dim, at best.

o IV. AFGHANISTAN

A. Policy:

- o Pakistan key to effective policy toward Afghanistan; we share objectives of Soviet withdrawal, return of refugees, restoration of nonaligned, sovereign Afghanistan.
- o Soviet inflexibility at Geneva, intensified efforts on ground, terrorism in Pakistan, show unchanged Soviet policy.

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- o US support for Pakistan firm in face of Soviet threats; new pressure needed to get USSR to negotiate seriously.
- o President told visiting resistance leaders Afghanistan agreement requires short Soviet withdrawal timetable, consultations with alliance, support of Afghan people.
- o Point to Make:
  - We applaud Pakistan's principled stand on UN negotiations, continued support for Afghan resistance and refugees; we agree timetable for Soviet withdrawals must be short (3 months) and share your concern over escalation of terrorist bombings, cross-border intrusions.

## B. Afghanistan Strategy:

- o Junejo committed to hanging tough on Afghanistan but out of sensitivity to political impact of public anxiety re Soviet threat and DRA terrorist attacks, has been slow to approve implementation of public aspects of Afghanistan strategy.
- o Points to Make:
  - Soviet inflexibility at Geneva shows lack of seriousness in seeking settlement; we need to step up pressures on the Soviets.
  - There is growing concern in Administration and Congress about GOP hesitancy on cross-border humanitarian aid, Afghan media assistance program, strategy to build public image of resistance alliance.
  - Positive steps on these programs will help induce Sovs to negotiate seriously and help sell Pak aid on the Hill.
  - US ready to move forward in three areas of humanitarian aid, namely health, education, and commodity support.
  - Urge GOP support for active delegation presence at the UN this fall, opening alliance offices in New York, Jeddah.
  - Urge also substantive involvement of alliance leaders in negotiations; President pledged US will keep alliance informed.

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## V. NARCOTICS

- o Opium production in Pakistan in 1985-6 nearly doubled; lapse due to transfer to civilian rule, good weather, and rising domestic demand for heroin.
- o Junejo and Zia told Ann Wrobleski in June that GOP remains committed to eradication of opium crop; INM assessing aerial spraying, at GOP request.
- o Points to make:
  - Recent doubling of Pakistan's opium production, rising Pak heroin addiction, adds to urgency of eradicating crop, destroying heroin labs, prosecuting major traffickers.
  - Encouraged by your pledge to Ed Meese and Ann Wrobleski to eradicate all opium production this fall early in growing season.
  - Welcome GOP interest in updated extradition treaty, possible use of aerial spraying for eradication; ready to help assess if spraying technique would work in Pakistan.

Attachment:

Setting and List of Participants.

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SETTING

Even though he has been in office for more than a year, Prime Minister Junejo is a relative newcomer to the key issues in the US-Pakistan partnership; his preoccupation has been mostly domestic, i.e. consolidating of his own power and guiding transition to constitutional government.

We view the visit as an opportunity to expand Junejo's political stake in the ongoing US-Pakistan relationship. We will accord him the recognition he deserves for his role, with Zia, in pulling off a peaceful transition from martial law to constitutional government. We need to assure him of the steadfastness of the US commitment to Pakistan, provided Pakistan understands the absolute requirement for restraint in its nuclear policy. We need also to emphasize to him the need to stay close on Afghanistan, especially on the negotiations and on the more public aspects of our overall Afghanistan strategy. And we will underscore as well the importance of cooperating to stem the flood of illicit narcotics.

When you meet with Junejo, he will already have heard from the President himself regarding the key nuclear issue. Your reiteration of the main points made on this score will help impress on the Prime Minister how seriously this issue can threaten all that we have built and want to build together. Your main objective, however, will be a full discussion of our Afghanistan concerns in advance of the resumption of the Geneva talks on July 30 and a serious reiteration of our concerns regarding illicit narcotics originating in or near Pakistan.

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PARTICIPANTS IN SECRETARY'S JULY 17 MEETING WITH PM JUNEJO

U.S.

Secretary Shultz  
AID Administrator McPherson  
Under Secretary Armacost  
Assistant Secretary Murphy  
Ambassador Hinton  
Deputy Assistant Secretary  
    Raphael  
Deputy Assistant Secretary  
    Peck (notetaker)

Pakistan

The Prime Minister  
Foreign Minister Yaqub Khan  
Finance Minister Wattoo  
Ambassador Azim  
Ambassador-Designate Marker  
Foreign Secretary Sattar

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CONFIDENTIALPAKISTAN: INTERNAL POLITICAL SITUATIONI. PEACEFUL POLITICAL ACTIVITY SO FAR

- o Transition to constitutional government has been smooth and peaceful; martial law lifted end of 1985.
  - Junejo reorganized Pakistan Muslim League (PML) as government party; National Assembly members, key provincial leaders joined.
  - Junejo wisely has not interfered in increased political activity; himself seeks public support.
  - Return of Benazir Bhutto, leader of main opposition Pakistan People's Party (PPP), generated huge crowds, but longer-term appeal hard to gauge. Most believe she will fail to force new elections by this fall.
  - After years of martial law, parties need reorganizing. PML lacks grass-roots organization, support; Bhutto must show control of PPP, skill in political maneuver. Neither wants new martial law.
- o Violence possible, especially from Islamic right; Army likely to intervene only in major national crisis.

II. KEY ISSUES

- o With PML government consolidating power, basic problems remain--provincial, ethnic, and sectarian grievances, major underlying social, economic strains.
- o Deterioration of law and order, especially in Northwest Frontier Province (NWFP), is major worry.
  - Distribution of modern weapons throughout Pakistan one spillover of Afghanistan war.
  - NWFP bombings by Soviet/DRA agents attributed to presence of Afghan refugees, causing estrangement and unease between Paks and refugees.
  - In heightened political atmosphere GOP's Afghan policy will be more widely questioned, constraining government freedom of action.
- o Bhutto challenge major unknown. Lack of Bhutto appeal to traditional elites, popular fear of provoking Army favor status quo. Showdown unlikely for year or two.

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PAKISTAN ECONOMIC POLICY AND REFORM

I. Background

- o Economic growth strong in recent years.
  - Real growth estimated at 6.3 percent for 1985-86 and 8.4 percent previous year; record harvests this year.
- o Short-term balance of payments outlook brighter--exports up, imports down, and workers' remittances again up.
- o Foreign exchange reserves now top \$900 million (6 weeks import cover) after mid-1985 low of about \$400 million.
- o Longer term balance of payments outlook remains grim as remittances expected to decline, international debt repayment burden grows, and trade deficit widens.

II. Economic Policy Reform Efforts

- o New civilian government recognizes need for reform; appears committed to taking some key steps.
  - GOP gradually implementing recommendations of commission to review needed measures on deregulation, but actions deferred on recommendations of tax commission.
  - Important policy reform steps we had long encouraged have been taken in edible oils, fertilizer sectors and in sugar and rice pricing.
- o Major reform efforts still required in key sectors of energy, irrigation, and fertilizers; also in broader area of mobilization of domestic resources.

III. U.S. Role in Pressing for Greater Reform Efforts

- Applaud steps taken by GOP in key areas of fertilizer, edible oils, and rice.
- Endorse World Bank and IMF recommendations for reform.
- Encourage greater mobilization of domestic resources and wider implementation of recommendations of GOP taxation and deregulation commissions.
- Note linkage we have both affirmed between our follow-on aid program and GOP reform performance.

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SECRETUS ASSISTANCE TO PAKISTANI. Background

- o From 1949-1981, US provided more than \$6 billion in economic and security assistance to Pakistan.
- o Current \$3.2 billion program (FY82-87) split evenly between economic and security assistance; centerpiece of security assistance was FMS purchase of 40 F-16s; economic focus on energy, agriculture, and population programs.
- o \$4.02 billion follow-on program (FY88-93) 57% economic aid; recommends more favorable terms (economic aid all grant, security assistance all concessional).

II. Assistance Issues

- o All assistance cut off in April, 1979, as Pak nuclear activities triggered provisions of Symington Amendment.
  - Multi-year waiver of Symington needed in 1981 to launch current program, justified as response to Soviet invasion of Afghanistan. Pak nuclear program continues, will require renewed waiver for FY88-93 aid program.
  - We are also required to certify each year that Paks do not possess nuclear device and that our aid significantly reduces risk they will acquire one.
- o Paks told ability to achieve full funding depends also on GOP responsiveness to USG concerns over Pak narcotics control efforts, economic policy reform.
- o Gramm-Rudman sequester cut \$25 million from FY86 request level for Pakistan; Paks fear FY82-87 program will fall short of committed funding level.

III. USG positions

- o Reaffirm long-term commitment to Pakistan's security in the face of increasing Soviet threats; USG commitment to seek full funding for assistance program, regret unable to restore any Gramm-Rudman FY86 cuts.
- o Impress on GOP that very continuation of our assistance relationship depends on their restraint in nuclear area; important link also between full funding and narcotics control, economic reform.

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PAKISTAN: NUCLEAR ISSUE

I. NUCLEAR ISSUE POSES MAJOR PROBLEM FOR U.S.-PAKISTAN RELATIONS

- o In order to provide security assistance, we must now certify annually that Pakistan does not possess a nuclear device and that our aid will reduce this risk.
- o Continuation of U.S. assistance beyond FY87 will require Congressional renewal of authority to waive the Symington amendment.

II. DESPITE STRONG U.S. CONCERN, PAKISTAN CONTINUES TO PURSUE A NUCLEAR EXPLOSIVES CAPABILITY.

- o If operated at its nominal capacity, the Kahuta uranium enrichment plant could produce enough weapons-grade material to build several nuclear devices per year.
- o Our assessment remains, however, that Pakistan does not possess a nuclear device.
- o The GOP denies that it is engaged in any weapons-related activities, and insists that its nuclear program is strictly peaceful.

III. U.S. POLICY HAS SOUGHT PAKISTANI RESTRAINT AND A REGIONAL NON-PROLIFERATION REGIME.

- o We have repeatedly told the GOP that restraint in the nuclear area is an essential precondition for our security relationship.
- o At the same time, we have urged both India and Pakistan to explore confidence-building measures and other steps towards a regional non-proliferation regime.
- o Pakistan has offered to sign the NPT or to take other far-reaching non-proliferation steps, provided India does likewise. India has rejected these proposals, citing long-standing opposition to the NPT, but so far has not put forward its own proposal. In December, the two sides agreed in principle not to attack each other's nuclear facilities.

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## FACT SHEET: NARCOTICS CONTROL

### I. NARCOTICS PRODUCTION

- o Opium poppy production increased substantially during 1985-86 growing season.
  - Opium production had dropped sharply since 1979, in part because of GOP efforts at crop substitution and eradication programs.
  - The opium crop doubled from 40-70 metric tons in 1984-85 to 100-150 metric tons in 1985-86. Contributing factors include: government officials' preoccupation with the lifting of martial law, better estimating techniques, improved weather conditions, and high opium prices.
- o Pakistan probably remains a net importer of opium from Afghanistan and Iran because of tremendous growth in domestic consumption of heroin, a drug unknown to Pakistani addicts only five years ago.

### II. ENFORCEMENT EFFORTS

- o GOP enforcement efforts met with resistance in 1986; eradication campaign, begun late in growing season (February), was halted after violent confrontation with farmers; 13 civilians and enforcement officers died.
  - With return to civilian government, public education programs essential to build political support.
  - In past, GOP enforcement efforts limited to INM, AID, or UN Fund for Drug Abuse Control (UNFDAC) development project areas.
- o Current USG priorities include:
  - GOP commitment to poppy suppression throughout growing areas, not just where development programs underway.
  - Firm GOP commitment to begin poppy eradication efforts immediately after cultivation in fall and announcement of intentions well beforehand to give farmers time to plant alternative crops.
  - Use of aerial and/or hand-held spraying; at recent US-GOP narcotics working group meeting, Paks expressed interest in US assistance, which would be available.
  - New assets seizure legislation.
  - Indo-Pak cooperation to stop cross-border trafficking.

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AFGHANISTAN - THE STATE OF THE WAR

I. THE PARTICIPANTS AND RECENT TRENDS

- o Soviet 40th Army (120,000 men) carries the combat burden with support from Turkestan, other Soviet military districts.
- o DRA forces (80-90,000 including army and police) are poorly trained and equipped; largely unreliable. Higher manpower goals are unrealistic.
- o Mujahidin (150,000+ full/part-time) holding their own; do best with small unit operations, but lack air defenses and medical care. Morale is high; group cooperation improving.
- o Gradual Soviet improvements feature new systems and only modest growth in manpower.
- o Now 5,000 Soviet Spetsnaz (SPF) in country. Often effective, but lack numbers and good intelligence.
- o Soviet/DRA can move at will in the country, but lack capability, and numbers to hold territory outside cities.
- o In early '86 DRA took combat lead, but recent sweep along border at Ali Kheyl was largely Soviet operation.
- o Loss of insurgent base at Zhawar in May was temporary setback; mujahidin now back and rebuilding.
- o Soviet/DRA cross-border air/ground fire violations into Pakistan in '86 (now 450+) way up over '85 (250+).
- o F-16 shootdown of DRA jet May 17 shows Pakistan's resolve. More such air battles likely along the frontier.

II. PROGNOSIS AND KEY PROBLEMS

- o Soviet costs (e.g., 20,000+WIA/10,000+KIA; 600+ aircraft lost) not very burdensome; no real domestic war opposition.
- o However, present level of Soviet commitment cannot seal borders against infiltration or defeat mujahidin.
- o DRA remains anathema to most Afghans and cannot stand on its own without direct Soviet military backing.
- o Widespread and popularly supported insurgency makes control difficult, but fierce tribal rivalries impede anti-regime cooperation.

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AFGHANISTAN - GENEVA NEGOTIATIONS

o The seventh round of UN-sponsored proximity talks which recessed May 23 addressed for the first time the substance of Cordovez' draft instrument IV, which covers, inter alia, Soviet troop withdrawal.

o Although progress was made on such issues as the legal nature of instrument IV and its interrelationship with the other elements of an agreement, the parties remain far apart on the central issue of a timetable for Soviet troop withdrawal.

--The Pakistanis categorically rejected the Soviet/DRA timetable proposal as no basis for negotiations and reiterated that the timeframe must be a matter of months, not years.

--Cordovez's urgings notwithstanding, Paks refused to continue discussion of other elements of instrument IV in the absence of a more reasonable timetable proposal.

o Despite differences on this and other key issues, such as the nature of a monitoring mechanism and consultations with the resistance and refugees, both Pakistan and the DRA/Soviets continue to find participation in the talks politically expedient. They have agreed to resume discussions in the proximity format on July 30.

o The Pakistanis (and US) want an effective UN-led monitoring mechanism with the ability to report objectively and investigate alleged violations; the Soviet/DRA side is insisting on some form of toothless bilateral consultations which could serve to legitimate the Kabul regime.

o Future resistance role in the negotiations is unclear; Cordovez has given little consideration to substantive consultations with the resistance. GOP briefings of the Alliance have been perfunctory at best. The resistance claims never to have been shown the texts of the draft instruments.

--We have urged both Cordovez and the GOP to involve the alliance more seriously, at least through regular, in-depth consultations on the details and direction of the talks.

--Under Secretary Armacost took the opportunity of the Afghan resistance alliance visit to the US to brief the resistance leaders on the content and status of the UN talks.

o Cordovez seeks to wrap up all outstanding elements of instrument IV except withdrawal timetable at July session.

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BRIEFING PAPER

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PAKISTAN: PUBLIC OPINION ON US/USSR

Pakistanis Distrust Both U.S. and USSR But Prefer U.S.

Majorities of Pakistanis distrust the friendship of both the United States (63%) and the Soviet Union (75%), according to results of a February 1986 nationwide survey. Moreover, they believe the USSR to be a greater threat to Pakistan than traditional rival India by a ratio of two-to-one (49%-to-23%).

However, although a plurality (54%) opt for neutrality vis-a-vis the U.S. and USSR, those with a preference favor American over Soviet friendship by a ratio of three-to-one (35%-to-11%).

Support Remains High for U.S. Aid

Widespread distrust of American friendship does not prevent solid majorities of Pakistanis from supporting Pakistan's receiving military (63%) and economic (70%) aid from the United States. This support continues a trend observed in surveys since 1981.

Pakistanis Widely Favor Development of Own Atom Bomb

Although Pakistani President Zia has publicly denied any intent on the part of the GOP to develop nuclear weapons, the large majority of Pakistanis (87%) believe that Pakistan should "make an atom bomb."

The Pakistani public's support for their country's development of nuclear weapons capability no doubt springs in large part from fear of India's nuclear power capability: half (53%) said that India would use nuclear weapons against Pakistan in an Indo-Pakistani war.

More See Drug Use than Trafficking as Pak Problem

The vast majority (89%) believed that use of heroin and opium is a problem in Pakistan, according to a May 1985 survey. But only half (50%) were aware of Pakistan's role as a major site of production and trafficking. Most favored Pakistani government action to stop the use (87%), trafficking (87%) and production (86%) of heroin and opium in Pakistan.

July 14, 1986

UNITED STATES DEPARTMENT OF STATE

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PAKISTAN - AT A GLANCE

- o Growth strong but budget deficit up
  - Real growth in fiscal year ended June 30, 1985, at 8.4 percent;
  - Record harvests after poor crop year in 84/85
  - Budget deficit high as domestic resource mobilization continues weak
- o Balance of payments improved, but longer-term outlook precarious
  - Remittances, exports up; imports down
  - FX reserves up to more than \$900 million (six weeks import cover) after last summer's low of less than \$400 million
  - Longer-term outlook grim as remittances unlikely to increase while trade deficit likely to widen
- o New civilian government has taken some important but tentative steps on economic policy reform
  - New Finance Minister, first non-technocrat in a decade, appears committed to economic policy reform
  - Recent reform steps in edible oil and fertilizer sectors are encouraging; major reform efforts still needed, however, especially for greater domestic resource mobilization
  - GOP agreed, as part of follow-on aid package, to annual US-GOP meetings to review our assistance program and their progress on economic policy reform

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ECONOMIC DATA CHART - Pakistan

Revised 7/7/86

|  | <u>1982/83</u> | <u>1983/84</u> | <u>1984/85</u> |
|--|----------------|----------------|----------------|
| 1. ECONOMIC INDICATORS:                          |                |                |                |
| 1a. Population (mid-year, million)               | 89.1           | 91.9           | 94.7           |
| 1b. Official Unemployment Rate (percent)         | 4              | 4              | 4              |
| 1c. Gross National Product (\$ billion) (1)      | 29             | 30.7           | 30.8           |
| 1d. GNP Per Capita (\$ (1)                       | 325            | 334            | 325            |
| 1e. Investment/GNP Ratio (percent) (1)           | 16.1           | 15.7           | 16.2           |
| 1f. Real GDP (Percent change) (1)                | 6.2            | 3.4            | 8.4            |
| 1g. Real GDP Per Capita (Percent change) (1)     | 3.1            | 0.3            | 5.3            |
| 1h. Inflation Rate (percent) (1)                 | 4.7            | 8.6            | 7.3            |
| 2. FISCAL INDICATORS                             |                |                |                |
| 2a. Public Sector Revenues as percent of GNP(1)  | 16.0           | 17.5           | 16.5           |
| 2b. Public Sector Expenditures as pct of GNP(1)  | 23.6           | 24.2           | 25.2           |
| 2c. Public Sector Balance as percent of GNP(1)   | 6.9            | 6.1            | 8.2            |
| 3. BALANCE OF PAYMENTS                           |                |                |                |
| 3a. Exports to US (\$ million) (calendar year)   | 182.7          | 267.6          | 298.9          |
| 3b. Imports from US (\$ million) (calendar year) | 812.2          | 1092.5         | 1041.6         |
| 3c. Total Exports (\$ billion) (1)               | 2.6            | 2.7            | 2.4            |
| 3d. Total Imports (\$ billion) (1)               | 5.6            | 6.0            | 6.1            |
| 3e. Merchandise Trade Balance (\$ billion) (1)   | - 3.0          | - 3.3          | - 3.7          |
| 3f. Current Account Balance (\$ billion) (1)     | - 0.6          | - 1.0          | - 1.8          |
| 4. EXTERNAL DEBT                                 |                |                |                |
| 4a. Gross External Debt (\$ billion) (1)         | 13.3           | 10.9           | 12.5           |
| 4b. Gross External Debt per capita (\$ (1)       | 149            | 119            | 132            |
| 4c. Debt Service Paid (\$ billion) (1)           | .734           | .986           | 1.04           |
| 4d. Debt Service as percent of exports (1)       | 28             | 37             | 43             |
| 4e. Gross Debt as percent of GNP (1)             | 46             | 36             | 41             |
| 5. US BILATERAL AID, by U.S. Fiscal Year         | FY83           | FY84           | FY85           |
| 5a. Economic Assistance (\$ million)             | 250            | 275            | 309            |
| 5b. Military assistance (\$ million)             | 260.8          | 300.8          | 325.97         |

(1) Pakistan Fiscal Year July 1-June 30

(2) Jan-June